

DW 05-070

HAMPSTEAD AREA WATER COMPANY, INC.

Petition for Order to Expand Franchise, Acquire Assets, Incur Debt and Charge Rates

Order Authorizing Recovery of Rate Case Expenses

O R D E R N O. 24,581

January 20, 2006

I. BACKGROUND

On November 18, 2005, by Order No. 24,545, the New Hampshire Public Utilities Commission (Commission) approved a Stipulation and permanent rates for the Waterford Village water system located in the Town of Sandown, New Hampshire. The water system is owned and operated by Hampstead Area Water Company, Inc. (HAWC). The Commission ordered HAWC to submit within 30 days a total of its rate case expenses incurred in DW 05-070, a proposed recovery period, and an estimate of a proposed surcharge for Waterford Village.

On December 19, 2005, HAWC filed with the Commission Staff (Staff) a letter and supporting documentation requesting recovery of its rate case expenses in the amount of \$3,168.92. HAWC also proposed recovery of this amount from the projected 40 customers of the Waterford Village system over four billing quarters commencing on or about January 2006, through a surcharge of \$19.81 per customer per quarter. The Waterford Village system is currently serving no customers.

On January 3, 2006, Staff filed a letter with the Commission recommending the Commission approve HAWC's recovery of rate case expenses. Staff attached to its letter HAWC's rate case expense request as well as discovery Staff had conducted upon HAWC. Staff

concurred with the total amount of rate case expenses proposed but recommended that the recovery period be extended to two years, or eight billing quarters. Under this scenario, Staff stated HAWC would collect \$79.22 of the rate case expenses from each of the 40 anticipated customers of the Waterford Village system via a \$9.90 surcharge per customer per quarter. Staff stated the \$9.90 surcharge was more comparable to other small water company rate case expense surcharges recently approved by the Commission and would not be onerous to the Waterford Village customers.

II. COMMISSION ANALYSIS

Pursuant to RSA 365:38-a, the Commission may allow recovery of costs associated with utility proceedings before the Commission, provided that recovery of costs for utilities and other parties shall be just and reasonable and in the public interest. The Commission has long considered that prudently incurred rate case expenses and other legal and regulatory expenses are legitimate costs of service of a utility that should be included in rates. Additionally, the Commission's review of a utility's request to recover the expenses of litigating a rate case requires the balancing of the utility's right to and opportunity to collect its legitimate costs with the Commission's responsibility to ensure the reasonableness of the expenses and that the utility is sufficiently motivated to control such expenses. "If unreasonably incurred, if undue in amount, if chargeable to other accounts, they may to that extent be reduced." *State v. Hampton Water Works*, 91 NH 278, 296 (1941).

Consistent with these policies, we have reviewed HAWC's rate case expense summary, the proposed surcharge, and Staff's recommendation. We find that HAWC's total rate case expenses of \$3,168.92 were prudently incurred and are just, reasonable, and in the public

interest. Accordingly, we will allow HAWC to recover \$3,168.92 in rate case expenses in this docket.

We next address the surcharge recovery time period. HAWC requests to recover rate case expenses over four billing quarters in the amount of \$19.81 per customer, while Staff asserts that this surcharge amount is higher than has been usually approved in comparable circumstances. We find Staff's proposal to spread the recovery out over eight billing quarters in the amount of \$9.90 per customer to be less onerous on customers and reasonable for HAWC considering the total amount to be recovered.

Based upon the foregoing, it is hereby

ORDERED, that Hampstead Area Water Company, Inc. is authorized to recover a total of \$3,168.92 in rate case expenses with a maximum amount to be recovered from each of the current or future customers of the Waterford Village system of \$79.22 via a quarterly surcharge of \$9.90 over eight billing quarters commencing on or about January 2006, and collected until such time that the total authorized amount of rate case expenses is recovered; and it is

FURTHER ORDERED, that Hampstead Area Water Company, Inc. shall file a compliance tariff within five business days of the date of this order.

By order of the Public Utilities Commission of New Hampshire this twentieth day
of January, 2006.

Thomas B. Getz
Chairman

Graham J. Morrison
Commissioner

Clifton C. Below
Commissioner

Attested by:

ChristiAne G. Mason
Assistant Executive Director & Secretary